

110TH CONGRESS  
2D SESSION

# H. R. 7292

To amend the Internal Revenue Code of 1986 to exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

---

## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 19, 2008

Mr. ROHRABACHER introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. QUALIFIED STOCK DISTRIBUTIONS TO EM-**  
4 **PLOYEES.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-  
6 ter 1 of the Internal Revenue Code of 1986 is amended  
7 by inserting after section 139A the following new section:

1 **“SEC. 139B. QUALIFIED STOCK DISTRIBUTIONS TO EMPLOY-**  
2 **EES.**

3 “(a) IN GENERAL.—Gross income shall not include—

4 “(1) so many shares of any stock received by an  
5 individual in a qualified employee stock distribution  
6 of such individual’s employer as does not exceed the  
7 maximum stock amount,

8 “(2) any gain on stock excluded from gross in-  
9 come under paragraph (1) if such stock is held by  
10 such individual for not less than 10 years, and

11 “(3) in the case of any qualified disposition of  
12 stock which is described in paragraph (2) (and  
13 which meets the holding requirement of such para-  
14 graph), any gain on so much stock acquired during  
15 the 60-day period beginning on the date of such dis-  
16 position as does not exceed the fair market value of  
17 the stock so disposed (determined as of the time of  
18 disposition).

19 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-  
20 poses of this section—

21 “(1) QUALIFIED EMPLOYEE STOCK DISTRIBUTION.—The term ‘qualified employee stock distribu-  
22 tion’ means a distribution by an employer of stock  
23 of such employer to all employees (determined as of  
24 the date of the distribution) of such employer as  
25 compensation for services.  
26

1           “(2) MAXIMUM STOCK AMOUNT.—The term  
2           ‘maximum stock amount’ means, with respect to any  
3           distribution, the lowest number of shares of stock of  
4           the employer received by any employee of the em-  
5           ployer in such distribution.

6           “(3) QUALIFIED DISPOSITION.—

7                   “(A) IN GENERAL.—The term ‘qualified  
8                   disposition’ means, with respect to the disposi-  
9                   tion of any stock described in paragraph (2)  
10                  during any calendar year, the disposition of a  
11                  number of shares of such stock not in excess of  
12                  the excess of—

13                           “(i) the applicable percentage of the  
14                           aggregate number of shares of such stock  
15                           received during the calendar year that such  
16                           stock was received, over

17                           “(ii) the aggregate number of shares  
18                           of such stock taken into account under this  
19                           subparagraph for all prior calendar years.

20                   “(B) APPLICABLE PERCENTAGE.—For  
21                   purposes of clause (i), the applicable percentage  
22                   is, with respect to any calendar year following  
23                   the calendar year in which such stock was re-  
24                   ceived, the percentage determined in accordance  
25                   with the following table:

<b>“In the case of:</b>	<b>The applicable percentage is:</b>
The first through tenth such calendar years .....	0 percent
The eleventh such calendar year .....	10 percent
The twelfth such calendar year .....	20 percent
The thirteenth such calendar year .....	30 percent
The fourteenth such calendar year .....	40 percent
The fifteenth such calendar year .....	50 percent
The sixteenth such calendar year .....	60 percent
The seventeenth such calendar year .....	70 percent
The eighteenth such calendar year .....	80 percent
The nineteenth such calendar year .....	90 percent
Any subsequent calendar year .....	100 percent.

1       “(c) EMPLOYMENT TAXES.—Amounts excluded from  
2 gross income under subsection (a)(1) shall not be taken  
3 into account as wages for purposes of chapters 21, 22,  
4 23, 23A, and 24.

5       “(d) RECAPTURE IF STOCK DISPOSED DURING RE-  
6 QUIRED HOLDING PERIOD.—If an amount is excluded  
7 from gross income under subsection (a)(1) with respect  
8 to any stock and the individual disposes of such stock at  
9 any time during the 5-year period beginning on the date  
10 that such individual received such stock—

11           “(1) the gross income of such individual for the  
12 taxable year which includes the date of such disposi-  
13 tion shall be increased by the amount so excluded,  
14 and

15           “(2) the tax imposed by this chapter for such  
16 taxable year shall be increased by the sum of the  
17 amounts of tax which would have been imposed  
18 under subchapters A and B of chapters 21 and 22

1 if subsection (c) had not applied with respect to such  
2 amount.

3 For purposes of this title and the Social Security Act, any  
4 increase in tax under paragraph (2) shall be treated as  
5 imposed under the provision of chapter 21 or 22 with re-  
6 spect to which such increase relates.

7 “(e) REGULATIONS.—The Secretary shall issue such  
8 regulations as may be necessary or appropriate to carry  
9 out this section, including regulations which provide for  
10 the application of this section to stock options.”.

11 (b) CLERICAL AMENDMENT.—The table of section  
12 for such part is amended by inserting after the item relat-  
13 ing to section 139A the following new item:

“Sec. 139B. Qualified stock distributions to employees.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to stock received by employees  
16 after December 31, 2008.

○